

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SECRETARY MEL MARTINEZ
Budget News Conference

Monday, April 9, 2001

Washington, D.C.

PROCEEDINGS

SECRETARY MARTINEZ: Good morning. I'm happy to talk to you today about the HUD budget. First of all, I want to tell you that it is a compassionate and responsible budget, and one that I'm very happy to give you some details on today. Our budget is going to focus on serving people, not programs. And that's why I have with me today, some of the very people that we're going to be serving through this budget.

We have the Spencer and the Williams families with us today, who are part of Habitat for Humanity's efforts to bring home ownership to yet more and more Americans. And they have a special significance to me, because we worked -- a few of us worked on their house, each of their houses here in Washington a couple of weeks ago. It was part of the Senate Build.

And I still -- we were commenting earlier, we still have mud in our boots from the day that we had fun putting this home together for this family and lending a hand in what is part of that dream of home ownership in America.

But our budget increases the funding that we will give to Habitat for Humanity this year, which will make that dream of home ownership available to yet even more Americans.

And the issue of home ownership is big in our budget, because that is at the heart of what we believe creates better communities and better neighborhoods.

I'm reminiscing about a few days ago, a week or so ago, when I was in Mount Vernon, New York, and the comments that Mayor Davis was saying. We had been to the Brown's family, new home owners in that community. And Mayor Davis was talking about how when you make a home owner out of a citizen, how they become better citizens, how they become a more contributing part of the community and a better part of the community. So, that's why home ownership is at the heart of what we believe is so important in this budget.

And to make more home owners in our communities around America, we have several initiatives. One is the Renewing the Dream Tax Credit, which we hope will provide 100,000 new homes -- either new homes or refurbished homes -- to low-income areas around America.

The second one is the American Dream Down Payment Fund. And this is a \$1 billion over 5 years that we hope will create 650,000 new homeowners around our country.

The CDBG – Community Development Block Grants, which are the life blood to local governments – and let me assure you that I come from that world, and I know how important these are to communities – those are fully funded this year.

But in addition to fully funding the CDBG program, we have a new wrinkle in it, which I think is going to be very positive for so many of our communities. We have the creation and the expansion of technology centers, which either will be springing up new, or will be expanded from what they have been in the past.

And these technology centers will ensure and help to make sure that those in our low-income areas of our communities are not left behind by the digital advances that we're making in our world, so that the youngsters like the Williams and Spencer youngsters here will me today, will have an opportunity to learn the skills that are necessary to be successful in the world of tomorrow.

One other initiative in this budget that I'm very excited about, is the raising by 25 percent of the FHA multifamily loan limit. This will enable us, for the first time in nine years, by the way, that this limit has been raised, to spur multifamily construction.

This is something that is really necessary in order for more and more families, who cannot yet afford the dream of home ownership as the Spencer and Williams have been able to do or will do very shortly, to have a place, a decent place where they can rent.

So, multifamily construction is very important. For the first time in nine years, the FHA loan limits will be raised. This is important, because between the rising land cost and the ever-increasing cost of construction, multifamily construction has, particularly in low-income areas, come to a virtual standstill.

So, this is a very important new initiative. Between these two initiatives of home ownership and multifamily ownership, we're combining to help many, many more new families across the country achieve the dream of home ownership, or achieve the dream of a better place in which to live.

We also, in this budget, renew all expiring contracts to continue rental assistance to over 2.8 million families currently receiving Section 8 assistance. And it includes \$197 million for 34,000 new housing vouchers.

However, no matter how many vouchers we have, and how many computers we might put into neighborhoods, hope comes with the armies of compassion, and the assistance of community faith groups, like Habitat for Humanity that we've highlighted here today.

When I visited Philadelphia recently, I remember going around with some of the people there who are reinvigorating that city in so many ways. And these are the folks that are working in these faith-based communities, faith-based efforts.

Our budget increases the commitment this agency will make to that effort. We will be the lead agency for these faith-based initiatives, where we will have the resources funded within our budget to ensure that this initiative gets off to the wonderful start that we all hope it will have.

We also reach out to protect Americans who have special needs. We have put an additional \$20 million, for a total of \$277 million, to house 3,700 more people with AIDS, expanding the number of eligible jurisdictions based on projections of AIDS cases by the Center for Disease Control.

We're also making allowances for those in our communities who have challenges when it comes to accessibility because of physical disabilities. And there will be 200 additional facilities accessible to the disabled, as a result of this budget.

And finally, the budget also refocuses HUD and its core mission and ends some programs that are duplicative. It terminates the Public Housing Drug Elimination, and also the Rural Housing and Economic Development Program. Both of these programs, without a doubt, are duplicative and really beyond the scope of HUD's core mission.

The budget also reduces the Public Housing Capital Fund by \$700 million. And this is simply due to the fact that there's a surplus of unobligated funds. It makes little sense to give money where it hasn't been spent, just to add to the total funds that have been accumulated and unspent.

There will be no roof that will go unrepaired, and there will be no modernization that will not take place in any of our housing projects throughout the country because of this cut. It will simply mean that the accrual that has been accumulated, will not be increased by \$700 million.

So, I think that kind of covers the highlights. But let me just say that as we talk about home ownership, it isn't something that is artificial, or new to me. I can still remember the smile in my parents' faces, and the happiness in our home when we purchased our first home in America. It wasn't all that long ago – 1968, actually. It seems like just the other day.

I was 19 or 20 at the time, so there's a little water under the bridge since then. But I can still remember that joy, and that wonderful opportunity which we hope to bring to so many more American families in this coming year through this budget.

So, I'll take a few of your questions, and then there will be some budget experts to get into some fine details. Yes?

Q: Yes, Mr. Secretary. There's some growing evidence around the country that – excuse me – that Section 8 voucher holders are having a more difficult time using their vouchers, for a variety of reasons. And I was wondering if you were planning to take any steps to help them do that in these communities by raising fair market rents, or taking some other steps?

Or alternatively, did you consider not funding new vouchers, and maybe using that money for some other area, like public housing?

SECRETARY MARTINEZ: You know, I think without a doubt, that there is an issue there. We need to spur more construction of multifamily which will be available to folks with Section 8 vouchers. That's why the FHA loan limit increase is a very important one.

I'll tell you something else that is important. And it doesn't have to do with budget, because everything about improving people's lives doesn't have to do with how much more money you spend at the federal government.

But we at HUD need to be more responsive to local developers that are seeking to build multifamily housing. You know, I know in central Florida, affordable housing construction has virtually stopped. And a lot of that has to do, not because of a lack of funds, or a lack of budget monies. It has to do because HUD is too difficult to deal with. And it takes too long, and it's unresponsive.

So as we become a more proactive agency, and engage with the development community, we might spur more construction of multifamily housing.

But in addition to that, we are looking to what else we can do administratively here, to increase the minimal rental or other proactive measures like that, that might help folks who have vouchers but cannot find a suitable place.

I know that very well. I mean, this is not something that is isolated to any one part of our country. It really is around the nation, and it's a serious problem.

Q: The Section 8 FMRs – the proposed FMRs are supposed to come out in April. Are you trying to accelerate when those will be used? Will they be used immediately on that?

SECRETARY MARTINEZ: We're trying to cut through that, and I am not sure that I can meet that April deadline. But I think that we are moving quickly to try to be responsive.

We know there's a tremendous need, and we know it's a serious problem. And we're trying to be responsive to that. Yes?

Q: One of the problems that I see is in the self-employed individual. The entrepreneurs are out there – that their bottom line might be \$10,000 of income. Therefore, they will not qualify, because they don't have the trajectory as far as income is concerned, because they are self-employed.

Are there any things that can be done for them?

SECRETARY MARTINEZ: Well, we're working – you know, the American Dream Down Payment Fund is going to help many people to be able to get a down payment to become home owners.

However, there are still going to be barriers to home ownership that have to do with the availability of credit. You know, we are proactively looking at predatory lending issues. We're looking at what else we can do to facilitate the whole range of things that must take place in order for someone to become home owners, particularly also, frankly, home ownership education.

I know that Habitat takes care of helping these good people up here to become homeowners. It takes knowing, you know, how to care for a home, how to create wealth, how to put together the money for the payment every month. Things like that.

So there's a whole range of things that we need to look at in hopes of helping more people.

FEMALE SPEAKER: because they may qualify with a down payment with help. But if they don't have the income previously, there's nothing we can help. The guidelines need to be adjusted in order to fit certain people that cannot prove that they did have an income in the previous two years.

SECRETARY MARTINEZ: Well, you're saying because they were self-employed and could not prove the income?

Well, these are issues that I don't think I can do too much about. But I think as we work through these things with lending agencies, that we ought to try to be helpful to them in any way that we can. I'm not sure that from a budgetary or from the Secretary's office standpoint, there is too much I can do about that.

But I think it is a legitimate issue, and I'm sure we'll follow up on it and see if we can do something with that. Yes?

Q: I was wondering, about that Capital Fund and some of the funds that are not used right now, that some of what I've been hearing and reading, is that it takes such a long time for the funds to get released from HUD.

And I'm wondering if the Department's looking at ways to move that.

SECRETARY MARTINEZ: Right. Absolutely we are. We're going to be much more responsive in seeing that those funds are released more timely.

But even accounting for that, by the way, there's still accrued funds that are unused and untapped. So we're definitely looking at how we can be at HUD more responsive in releasing the funds more quickly.

But there still are substantial funds that would be unobligated. Take one more. Yes?

Q: The Renewing the Dream Tax Credit – is that tax credit going to be made available to consumers who agree to purchase a home and rehabilitate it in a low-income neighborhood, or is that tax credit available to developers?

SECRETARY MARTINEZ: Just to developers. Just to developers, to assist them in the development of these homes. Let me take one more.

Q: Can you speak a little bit to what will fill in the gap with the Drug Elimination Program .

SECRETARY MARTINEZ: Well, first of all, let me say that the drug elimination was \$309 million. \$150 million of that is going to still be a grant to the housing authority.

So, it's not going away. It's just going to be given to them as part of the Public Housing Assistant Operating Fund.

They can then determine what are their highest priorities for the use of those funds. It might be for drugs, but it may be, in other places where they don't have a drug issue, it may be in elderly housing, or something like that, they can use it for other purposes.

So it eliminates the necessity that it must only be used for drug elimination type programs. Although in fact, there have been programs that have fallen far afield from that. So I think, with \$150 million, they'll be able to fund their highest priorities, and at the same time, we will be doing away with a duplicative program.

SECRETARY MARTINEZ: Well, let me say. The President has a commitment of \$19 billion to the effort against drugs. And so, the Department of Justice, the drug czar's office, and every other tentacle of the federal bureaucracy and local law enforcement as well, will all be working on the drug issue.

And, you know, when you look at HUD's mission of providing housing, I'm not sure that law enforcement really falls very well under that category for us.

Well, thank you very much. I'll take one last.

Q: The dollars from the CDBG Special Programs projects – do you realistically expect Congress not to appropriate some programs this year?

SECRETARY MARTINEZ: Well, you know. We – what did the President say? We propose, and the Congress disposes. And I think that's probably a good note to end on.

This is the President's budget. Comprehensively, it's a good budget. As I said at the beginning, it's a compassionate budget and also a responsible budget.

The rate of growth throughout the federal government of 4 percent we think is very prudent. Our growth is going to be about 6.8 percent, almost 7 percent. And with that, I will leave it with the experts, and thank you very much. I appreciate it. Thank you.

(Applause)

(Whereupon, the remarks of HUD SECRETARY MEL MARTINEZ were concluded.)